



U.S. Department of Justice

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FOR IMMEDIATE RELEASE  
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## **PRESS RELEASE**

### ***INDICTMENT CHARGES KOERBER WITH MAIL, WIRE FRAUD AND TAX EVASION IN CONNECTION WITH REAL ESTATE INVESTMENT SCHEME***

***INVESTMENT SCHEME TOOK IN ABOUT \$100  
MILLION IN INVESTOR FUNDS; MORE THAN \$50  
MILLION USED TO MAKE PONZI PAYMENTS  
WHILE OTHER INVESTOR MONEY WAS DIVERTED  
TO OTHER USES***

SALT LAKE CITY – A federal grand jury returned a three-count indictment Tuesday morning charging Claud R. Koerber aka Rick Koerber, age 36, of Alpine, with mail fraud, wire fraud, and tax evasion in connection with an alleged fraudulent investment scheme he devised to get money from investors. Koerber was involved with several businesses in Utah, including Founders Capital, Franklin Squires Investments, and Franklin Squires Companies, during the course of the scheme which the indictment alleges operated from sometime in 2004 to about Dec. 31, 2008.

The indictment alleges that in 2004, Koerber created and presented a series of seminars designed to encourage individuals to make money through a real estate program that he named the “Equity Mill.” The indictment alleges Koerber accepted money from individuals and companies through Founders Capital by means of representations that Founders Capital would use the money to make “hard money” or bridge loans to other entities associated with Founders Capital.

The indictment alleges Koerber used seminars, phone calls, mailings, radio programs, web sites and advertisements to communicate with investors and potential investors.

According to the indictment, Koerber represented to investors and potential investors that substantial amounts of money could be made through the “Equity Mill.” Koerber, according to the indictment, paid varying amounts of interest on the money provided to Founders Capital, but generally paid 5 percent per month to its first line investors.

Koerber, as a part of his seminars, encouraged first line investors “to act and think like a bank,” according to the indictment, by obtaining money from other people to place with Founders Capital. It was suggested that first line investors could pay 3 percent per month to second line investors, and in turn, second line investors, also thought to think and act like a bank, could pay 1 percent per month to third line investors.

Koerber represented to investors that Founders Capital provided an opportunity for families to loan their funds directly to Founders Capital in exchange for an aggressive interest payment and a high degree of liquidity. Founders Capital would then re-loan the money to parties that met Founders Capital’s lending criteria, Koerber said. The indictment alleges Koerber represented to investors and potential investors that the funds loaned to Founders Capital were secured by real property of greater or substantially similar value. The indictment alleges the money invested through the program would be used as “short term” financing to acquire and improve real property investments prior to obtaining more permanent cost effective financing.

The indictment alleges that Koerber told investors that when individuals or families make loans to Founders Capital, typical interest rates

on the loaned funds would range between 1 and 10 percent a month, and that typical levels of security or collateralization ranged between 50 and 150 percent.

In fact, the indictment alleges, Koerber knew that those representations were false, or that Koerber made them false by using some of the money for purposes other than real estate bridge loans and to purchase real property. Furthermore, the indictment alleges, most of the money placed with Founders Capital was not secured or collateralized by real estate, and was diverted by Koerber for other purposes.

The indictment alleges Koerber used investor funds for personal housing, expensive automobiles, investments into restaurants, and investments into other businesses. For example, Koerber spent \$850,000 on restaurants, loaned \$800,000 to an associate for a restaurant, and spent more than \$1 million on expensive automobiles. In addition, the indictment alleges, Koerber spent more than \$5 million on making movies.

Koerber operated Founders Capital and other related entities as a ponzi scheme to convince earlier investors that their funds were earning money and to convince potential investors that the program was working and earning money. The ponzi payments created the false impression that the businesses were profitable, investments were safe, and interest was being paid.

At no time during the operation of the scheme, according to the indictment, did the Founders Capital or Franklin Squires entities operated by Koerber as a part of his Equity Mill scheme make a profit. Koerber obtained approximately \$100 million in investor funds and over \$50 million of those investor funds were used to make ponzi payments.

The number of victims involved in the alleged fraud scheme has not been determined, although it could be in the hundreds. Determining the number of victims is difficult because of the different tiers of investors involved. Authorities believe most victims live in Utah.

Count one of the indictment, mail fraud, charges Koerber with using the mail to send a letter addressed "To Our Lenders" which contained many of the false and fraudulent representations of the scheme. The potential

penalty for one count of mail fraud is up to 20 years in federal prison and a fine of \$250,000.

Count two of the indictment charges Koerber with transferring \$1 million of investor money to a Founders Capital account. The potential penalty for wire fraud is up to 20 years in federal prison and a fine of \$250,000.

Count three of the indictment, tax evasion, alleges Koerber had a taxable income of \$900,000 for 2005 and owed federal tax in excess of \$250,000 but failed to file an income tax return for the year. The indictment alleges Koerber caused various business entities under his control to pay personal expenses on his behalf. The potential maximum penalty for the tax count is up to five years and a fine of \$250,000.

Defendants charged in indictments are presumed innocent unless or until proven guilty in court.

A summons will be issued to Koerber to appear for an initial appearance in federal court. The investigation, which is being conducted by the FBI, the IRS, and the Utah Department of Securities is continuing.

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